Airgas-Air Products deal stays murky after meeting

TOM MURPHY - AP Business Writer - Associated Press

Airgas Inc. shareholders on Wednesday elected three board members nominated by rival Air Products and Chemicals Inc., but the fate of a proposed acquisition involving the two Pennsylvania-based gas suppliers remains uncertain.

Air Products said Airgas shareholders also approved its three proposed bylaw amendments, a condition it has said was necessary to continue with an offer to buy Airgas for $65.50 per share.

"We stand ready to negotiate immediately, and call on the Airgas Board to respect the will of its shareholders," Air Products founder, Chairman and CEO John E. McGlade said in a statement. "Further delay serves no purpose."

But Airgas said in a separate statement that it believes some of the proposed amendments fell short of approval and are invalid.

The situation likely will be resolved in court over the next few months, Morgan Stanley analyst Paul Mann said in a research note. He believes a judge will ultimately rule that the amendments are valid.

The two companies have gone back and forth for months over a proposed acquisition. On Labor Day, Air Products raised its acquisition offer by $2 to $65.50 per share, a bid that amounts to about $5.5 billion. But it also said it will walk away if Airgas shareholders don't elect its director nominees and approve its bylaw proposals.

Airgas has said that price grossly undervalues the company, and it had advised shareholders to reject the Air Products board nominees and bylaw amendment proposals.

Air Products nominated former Sea-Land Services Inc. CEO John P. Clancey, 65; Mosaic Co. Chairman Robert L. Lumpkins, 66; and Crown Castle International Corp. founder and CEO Ted B. Miller Jr., 58, to the Airgas board.

The bylaw amendments Air Products favored included some changes to director eligibility requirements, a requirement for Airgas to hold future annual meetings in January and the repeal of all bylaw amendments made after April 7.

Airgas said it believes the first two amendments were not approved because they received backing from less than 67 percent of the shares entitled to vote. Its statement did not mention the third proposal.

Airgas thanked departing directors Peter McCausland, W. Thacher Brown and Richard C. Ill for their service on the company's board. It also said the vote count was preliminary and that final, certified election results will be announced.

Mann said in his note Air Products likely will submit three more director candidates in the coming months to be voted on at a possible January meeting, when Air Products could gain a majority on the Airgas board.

"A friendly deal is still possible, but we believe it is more likely Air Products will proceed with planning for the January shareholder meeting," Mann wrote.

Air Products, based in Allentown, Pa., sells gases for industrial, medical and other uses. Airgas, of Radnor, Pa., sells industrial and medical gases and provides gas equipment, welding products, tools, and safety gear.

Airgas shares rose $2.45, or 3.8 percent, to $67.30 in afternoon trading, while Air Products shares were up 82 cents to $81.03.

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